

Acquisition Reform II

DCMC Raytheon Management Council

**A Strategy for Identifying and Prioritizing Processes
within Industry Sectors
with High Return on Investment (ROI)**

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The identification of processes with a high return of investment, their prioritization, the fielding of process improvement teams, eventual process streamlining and final implementation is no simple matter. Management Councils across the country are finding this to be a significant challenge which requires a tremendous amount of senior management attention. This article attempts to offer a management system which will facilitate that effort. While the discussion at hand centers on the identification and prioritization of high-payoff processes and the fielding of process teams, the advantages of the suggested system for the management of change will become readily apparent.

The management of possible streamlining ideas, chartering of teams and the monitoring of team progress must be overseen by a small group of individuals who can provide day-to-day direction and who are knowledgeable of the key aspects of the procurement business. Members of such a group should include the managers of Product Assurance, Manufacturing and Contracting from the contractor organization, Technical Assessment and Operations from DCMC and Audit Experts from DCAA. Team size must be weighed from the perspective of expertise across all areas against small numbers so that consensus may be easily reached.

For the purposes of this article, this team will be named the Issues Management Board (IMB). It is highly recommended that the IMB be chartered to manage all aspects of change between the contractor, DCMC and buying commands; not simply the pursuit of processes that will result in a contract block change effort. Appointing one person from both DCMC and the contractor's organization to co-chair the IMB and coordinate Process Oriented Contract Administration Services (PROCAS), Single Process Initiative (SPI), and other related improvement activities is the best way to ensure the IMB operates efficiently and the most effective use of government and contractor resources.

While the IMB is charged with the day-to-day management of change, a more senior council is recommended to review IMB activities with the purpose of ensuring that overall streamlining efforts are moving in the appropriate direction and that resources are properly allocated. This group could be named the Executive Steering Committee (ESC). While it might be advantageous to have the Management Council (MC) perform this function, logistical issues normally would preclude senior buying activity representatives from attending all ESC meetings. Thus, it is recommended that the ESC membership should include senior contractor representatives (Vice Presidents), the resident DCMC CAO commander, his deputy and Group leaders, and a senior DCAA representative. The ESC should review IMB efforts on a periodic basis.

In order to determine which processes yield the highest return on investment, the IMB should first break down operations at a particular company into sectors (e.g. manufacturing/inspection, business, property, engineering, proposals, procurement, ...). Sector Teams consisting of contractor, DCMC, DCAA and possibly buying command representatives must then be chartered by the IMB to investigate each sector. Sectors must be properly defined so that there is no duplication of effort among teams. Sector

Teams must determine what the key processes are within their sector; determine the cost drivers for each process; determine the potential for improving a given process; and finally determine potential cost benefits. These cost benefits must measure both the costs associated with streamlining that process and the risk associated with the change.

Available resources which can be employed to analyze/identify candidate processes are numerous. They may include industry-wide analyses as well as ideas from the World-Wide-Web, including the DCMC and Acquisition Reform Home Pages. Company-specific studies may also be available. Company cost center data should prove to be an extremely beneficial resource. Finally, the most significant resource is the accumulated experience and ingenuity of readily available DCMC, DCAA and contractor team members, process experts and related technical, operational, and business management specialists.

Candidate processes must be flowcharted by Sector Teams at an appropriate level of detail. Sector Teams can use these flowcharts to identify inefficiencies, excess complexity, and non-value added steps. Process owners must explain the historical reasons for particular steps. The following questions must be answered on each process: What is being done, Why is it being done, and How would it be done if an alternative method could be employed.

The answers to the above questions can then be employed to determine a Rough Order of Magnitude (ROM) based on the expected savings verses the implementation costs. It must be stressed that the ROM must take into account risks associated with the process change as well as costs. The use of a ROM on a process-wide basis (as opposed to a contract basis) is much preferred over a detailed cost estimate; a full estimate is burdensome and tends to slow down efforts, leading to delays in processing and ultimately implementation. The timeliness of implementation may have a very significant impact on savings.

Once Sector Teams have completed their analysis, their results are provided to the IMB. The IMB may ask for further analysis on specific processes. It is important to note that Sector Teams are not always ongoing: they are convened as required. After an initial analysis of target processes, it may be some time before the team is called back by the IMB to re-analyze its area. Once the IMB has received Sector Team results it must then look at the processes which have the highest potential for immediate success, and those which have the largest payback potential. From that analysis, a rank-ordered list of processes to be targeted may be determined.

Charged with the day-to-day management of change, the IMB determines not only what processes will be targeted for streamlining, but also what streamlining methods will be employed. Processes which only affect the contractor, DCMC, and/or DCAA may be handled through a PROCAS approach. In some cases, immediate process changes may be appropriate without the necessity of further study. Those that affect more than one buying command must be handled under a Single Process approach. Based upon its rank-ordered list of candidate processes, the IMB then charters Process Improvement Teams (PITs) and

provides them with their mission. Each PIT conducts an in-depth analysis and recommends specific process improvements. Teams provide status reports to the IMB on a periodic basis. Membership on the teams must include contractor, DCMC, DCAA and possibly buying command representatives. Upon submission of their final products and implementation of approved initiatives, Process Teams are disbanded.

Those process changes being considered that affect buying commands must be handled as an SPI effort. It is recommended that candidate SPI projects be briefed to the Management Council in order to facilitate buying command support. This means the MC has been prebriefed on a yet to be fully definitized concept that will most likely require a contract change to implement. On these SPI projects, the responsible Process Improvement Team has the mission of preparing a fully definitized SPI concept paper for Management Council approval.

The potential of the IMB for managing change is clearly evident. Sector Teams are convened as appropriate: when an initial review of key sectors for potential high payoff processes is desired, or to periodically review these same sectors for further opportunities as processes change. Process Teams then manage the details of the actual process changes which result in SPI concept papers, block changes, or alternatively, PROCAS efforts.